



Arizona State Retirement System

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Special Notice

Contribution Rates Set for FY10 PBI Information

Questions?

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November 23, 2009

At its November 23, 2009 meeting, the ASRS Board of Trustees approved new contribution rates for the Defined Benefit Plan for fiscal year 2011, which take effect July 1, 2010. The contribution rates are as follows:

Combined Pension Plan and Health Insurance Benefit:

Current Contribution Rate: 9.0%

Rate for July 1, 2010: 9.6%

Long-Term Disability (LTD):

Current Contribution Rate: 0.40%

Rate for July 1, 2010: 0.25%

Total Contribution Rate (Pension plus Health Insurance plus LTD):

Current Contribution Rate: 9.40%

Rate for July 1, 2010: 9.85%

Also at the Board meeting, it was presented that there are no funds available for an additional Permanent Benefit Increase for retired members. All current PBIs will continue to be included in benefit checks.

The increase in the Defined Benefit Plan contribution rate is due primarily to the downturn in the overall economy leading to decreased investment performance for the fiscal year that ended June 30, 2009, the date of the actuarial valuation used to determine the contribution rate. The rate of return to the overall ASRS fund for the fiscal year ended June 30, 2009 was -18.1 percent. Since June 30, however, investment performance has improved, as has the overall status of the ASRS fund.

The overall contribution rate increase is somewhat mitigated by a decrease in the LTD portion. That decrease, from 0.40% to 0.25%, was made possible due to continued improvements to the overall funding of the LTD program.

Given the market performance of the last fiscal year, and the 10-year period the ASRS employs to recognize gains and losses over time, members and employers can expect to see similar increase in the overall contribution rate – about a half-percent – each of the next several years.

Similarly, it is not expected that the PBI fund will be built up again to allow for benefit increase for the next several years.